

# Annual Report

## TO SHAREOWNERS

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CORPORATION FILE

*Walgreen's*

**DRUGS**

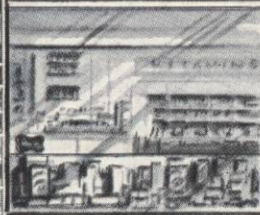
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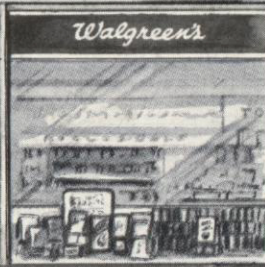
*Walgreen's*



DRUGS CIGARS



*Walgreen's*



PRESCRIPTIONS



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1954

*Walgreen Co.*

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## Officers and Directors

C. R. WALGREEN, JR.....*Director—President*  
A. A. BORG.....*Director—Vice President*  
SANFORD J. BOWYER.....*Director—Vice President*  
H. TRACY FOWLER.....*Director*  
ROBERT G. KNIGHT.....*Director—Vice President and Treasurer*  
EDWARD P. LESLIE.....*Vice President*  
BERT O. PINCH.....*Director—Assistant Secretary*  
R. G. SCHMITT.....*Director—Vice President and Secretary*  
A. L. STARSHAK.....*Director—Vice President*  
R. E. WALKER.....*Director—Agency Division*  
O. G. GILE.....*Assistant Secretary*  
W. W. LOW.....*Assistant Treasurer*  
P. J. REDFORD.....*Assistant Secretary*  
C. S. ZALEWSKI.....*Comptroller*

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*Company General Auditor*.....M. W. PRATT  
*Public Accountants and Auditors*.....ARTHUR ANDERSEN & CO.

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*Transfer Agents*.....THE FIRST NATIONAL BANK OF CHICAGO  
GUARANTY TRUST COMPANY OF NEW YORK

*Registrars*.....HARRIS TRUST AND SAVINGS BANK OF CHICAGO  
THE NATIONAL CITY BANK OF NEW YORK



## To Our Shareowners

OUR sales reached a new high for the year. They were behind for the first half, as I mentioned in my mid-year letter. During the second half we ran ahead by over three and three quarter millions.

The improvement in sales was not matched by a commensurate gain in earnings: 98 cents

a share in the second half, added to 92 cents in the first, equalled \$1.90 for the year, compared with \$2.26 a year ago.

As noted last year, adjustments have to be made to meet changing customer shopping habits, intense competition, and high operating expenses, which in the initial stages have

been costly. Personnel changes at administrative levels were made during recent months. There now is evidence of a slight improvement in gross margins, as well as of operating economies. I feel that there is reasonable ground for believing that the unsatisfactory earnings trend of the last two or three years may show some reversal.

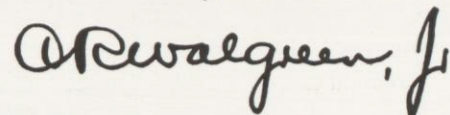
At year-end, we were operating 388 stores, compared with 390 a year ago. New stores opened are listed on a later page of this report, along with information about other improvements made during the year. Additional costs were incurred this year with the con-

solidation of our warehousing operations. We closed four, opened one, and now have eight.

In the current fiscal year there will again be a moderate amount of expansion. Additional self service stores, of which we now have 43, will be opened in substantial "drive-in" shopping centers at various points throughout the country. Some other stores will be converted to a self-serve basis or otherwise modernized.

We have perhaps gone through the most difficult phase of adjusting to the changing patterns of retailing, and with the organizational changes referred to completed, I feel optimistic about the outlook for this year.

Sincerely,

A handwritten signature in dark ink, appearing to read "J. Edgar Hoover, Jr.", written in a cursive style.

*President*

Chicago, November 19, 1954.

# Walgreen Co. and Subsidiary Companies

## COMPARATIVE BALANCE SHEET

ASSETS		<u>1954</u>	<u>1953</u>
CURRENT ASSETS:			
Cash .....		\$ 5,767,825	\$ 5,113,776
United States Government securities.....		741,524	1,465,703
Accounts receivable, less reserves.....		2,249,583	1,956,227
Inventories of merchandise, priced at the lower of cost or market, less reserves .....		22,516,940	23,440,729
TOTAL CURRENT ASSETS.....		<u>31,275,872</u>	<u>31,976,435</u>
PREPAID RENT, INSURANCE, TAXES, ETC.....		<u>1,014,423</u>	<u>1,225,080</u>
INVESTMENTS AND OTHER ASSETS:			
Investments in affiliated and other companies, at cost.....		1,604,413	2,042,394
Estimated net recovery of prior years' Federal income taxes.....		440,000	440,000
TOTAL INVESTMENTS AND OTHER ASSETS.....		<u>2,044,413</u>	<u>2,482,394</u>
FIXED ASSETS, at cost:			
Land .....		22,000	37,000
Buildings (on owned and leased land).....		1,554,101	1,596,100
Equipment .....		18,591,051	17,699,910
		<u>20,167,152</u>	<u>19,333,010</u>
Less—Reserves for depreciation.....		8,575,604	8,270,736
TOTAL FIXED ASSETS .....		<u>11,591,548</u>	<u>11,062,274</u>
GOODWILL, LEASEHOLDS, LEASEHOLD IMPROVEMENTS, ETC., at nominal amount .....		<u>1</u>	<u>1</u>
		<u>\$45,926,257</u>	<u>\$46,746,184</u>

—SEPTEMBER 30, 1954 AND 1953

LIABILITIES

	<u>1954</u>	<u>1953</u>
CURRENT LIABILITIES:		
Trade accounts payable.....	\$ 5,645,278	\$ 5,730,155
Accrued expenses and other liabilities.....	4,477,096	4,537,961
Federal and State income taxes.....	1,885,747	3,602,040
Notes payable .....	1,350,000	350,000
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES.....	13,358,121	14,220,156
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2½% NOTE, due August 15, 1960; amounts ranging from \$350,000 to \$500,000 due annually (current maturity included above).....	2,950,000	3,300,000
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CAPITAL STOCK AND SURPLUS:

Common stock, \$10 par value—

Authorized 1,955,522 shares; issued and outstanding 1,292,485 shares 12,924,850 12,924,850

Earned surplus, per accompanying statement..... 16,693,286 16,301,178

TOTAL CAPITAL STOCK AND SURPLUS..... 29,618,136 29,226,028

\$45,926,257 \$46,746,184

# Walgreen Co. and Subsidiary Companies

## COMPARATIVE STATEMENT OF PROFIT AND LOSS

For the Years Ended September 30, 1954 and 1953

	<u>1954</u>	<u>1953</u>
SALES AND OTHER INCOME:		
Net sales and other store income.....	\$184,267,030	\$181,537,634
Other income (net).....	192,266	216,655
	<u>184,459,296</u>	<u>181,754,289</u>
COSTS AND DEDUCTIONS:		
Cost of sales and of selling, occupancy and administration, except depreciation .....	177,299,826	173,501,228
Depreciation of buildings and equipment.....	1,282,865	1,212,877
Provision for contribution to employees' retirement pension trust.....	775,000	869,000
Improvements to leased properties.....	451,521	367,898
	<u>179,809,212</u>	<u>175,951,003</u>
INCOME BEFORE FEDERAL AND STATE INCOME TAXES.....	4,650,084	5,803,286
Provision for Federal and State income taxes.....	2,190,000	2,880,000
NET INCOME .....	<u>\$ 2,460,084</u>	<u>\$ 2,923,286</u>

## COMPARATIVE STATEMENT OF EARNED SURPLUS

For the Years Ended September 30, 1954 and 1953

BALANCE BEGINNING OF YEAR.....	\$ 16,301,178	\$ 17,015,854
NET INCOME .....	2,460,084	2,923,286
	<u>18,761,262</u>	<u>19,939,140</u>
DEDUCT:		
Dividends paid—\$1.60 per share in 1954 and \$1.70 in 1953.....	2,067,976	2,197,224
Transfer to common capital stock in connection with change from shares without par value to shares with \$10 par value on December 15, 1952 .....	—	1,440,738
BALANCE END OF YEAR.....	<u>\$ 16,693,286</u>	<u>\$ 16,301,178</u>



**ARTHUR ANDERSEN & CO.**

**120 SOUTH LA SALLE STREET  
CHICAGO 3**

*To the Board of Directors,*

**WALGREEN CO.:**

We have examined the consolidated balance sheet of WALGREEN CO. (an Illinois corporation) AND SUBSIDIARY COMPANIES as of September 30, 1954, and the related statements of consolidated profit and loss and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We had previously made a similar examination for the year ended September 30, 1953.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated profit and loss and earned surplus present fairly the financial position of Walgreen Co. and subsidiary companies as of September 30, 1954, and the results of their operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

**ARTHUR ANDERSEN & Co.**

Chicago, Illinois,  
November 15, 1954.

# New Stores of 1954

Atlanta, Ga., 38 Broad, S. W.  
Clinton, Iowa, 215 Fifth  
Columbus, Ohio, 3491 Cleveland  
Columbus, Ohio, 31 Graceland  
Davenport, Iowa, 246 W. Third  
DeWitt, N. Y., 3641 Erie  
Elmhurst, Ill., 133 N. York  
Glendale, Wis., 5916 Port Washington  
Lake Charles, La., 801 Ryan  
Moline, Ill., 1600 Fifth  
Pasadena, Tex., 945 E. Shaw  
Richfield, Minn., 64 W. 66th  
Rock Island, Ill., 1801 Third  
Salt Lake City, Utah, 1153 Simpson  
Worcester, Mass., 520 Main  
Yonkers, N. Y., 29 Mall Walk



## Major Remodelings

Atlanta, Ga., 181 Peachtree  
 Chicago, Ill., 6257 South Park  
 Columbus, Ohio, 51 S. High  
 Council Bluffs, Iowa, 400 W. Broadway  
 Denver, Colo., 801 16th  
 Flint, Mich., 600 S. Saginaw  
 Greensboro, N. C., 218 S. Elm  
 Kankakee, Ill., 236 E. Court  
 Miami, Fla., 1 W. Flagler  
 Miami, Fla., 200 E. Flagler  
 New York, N. Y., 2081 Broadway  
 Sacramento, Cal., 930 "K"  
 Lake Forest, Ill., 296 E. Deerpath



# Warehousing

Important factor in our overall warehouse streamlining program was the recent opening of a new eastern warehouse, our Philadelphia facilities having become outmoded and inadequate. This new unit—strategically located at Teterboro, New Jersey—is well geared to supply all of our own stores in the East, as well as the Walgreen Agency drugstores in this area. In addition, this new building now houses the ice cream manufacturing and other food preparation plants which were formerly located on Long Island.



**TETERBORO, New Jersey**



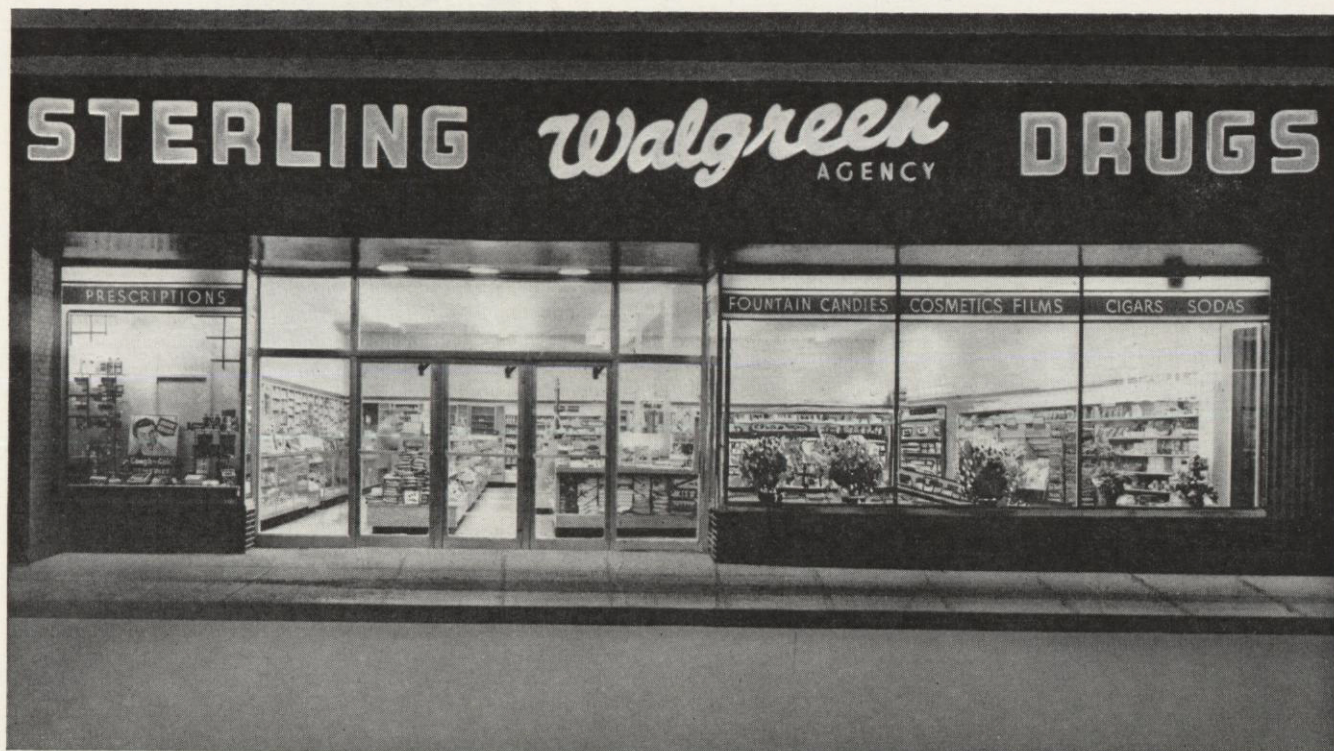


## Prescription Progress

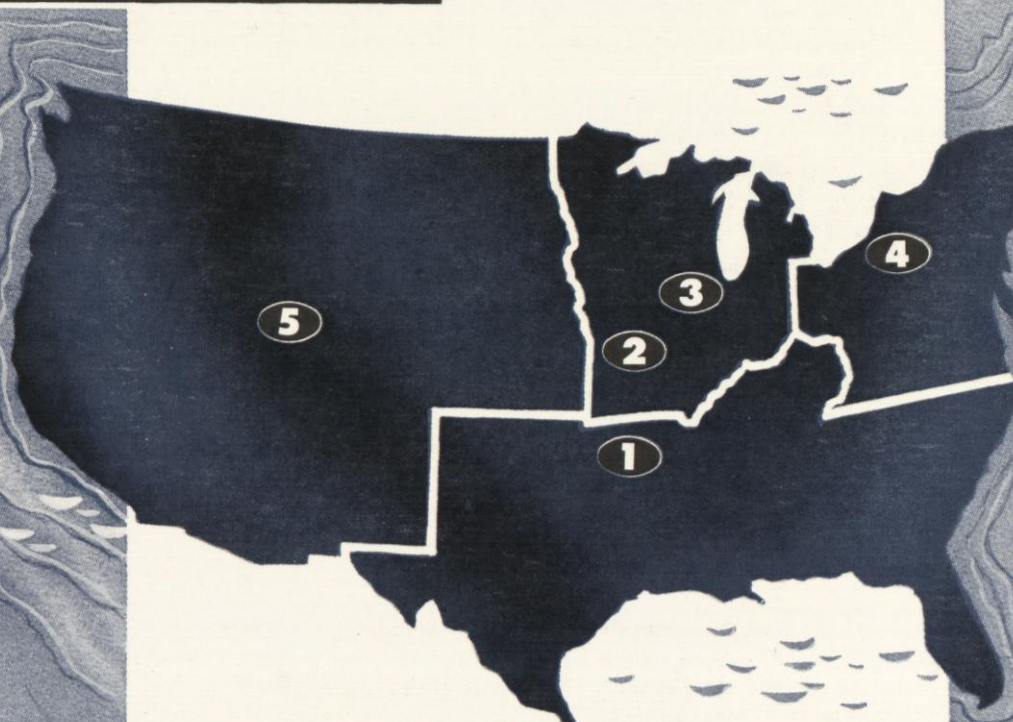
The steadily-growing prestige of our Prescription Service, firmly founded on the good will and confidence of the medical profession, is enhanced by advertisements like the one above in the AMA Journal. Monthly, 165,000 doctor-readers of this famed medical publication are reminded in brief, attention-getting messages of our professional qualities: Dependability, Fine Drugs, Fair Prices, Experience, Progressiveness. The basic formula guiding our progress in Pharmacy was established by Company Founder C. R. Walgreen, Sr.: "Compounding prescriptions with the utmost care is the most important single thing in our business." Today, as for over 50 years, our management and our Registered Pharmacists remain dedicated to this vital principle.

# Walgreen Agency Drug Stores

These independently owned and operated stores are selected for their prominence, reputation and potential growth. They benefit from the merchandising methods and operating procedures developed by our Company, as well as from the high quality Walgreen-manufactured merchandise which they make available to their customers.



# Distribution of Sales



**1** SOUTHERN STATES  
\$52,400,231 or 28.4%

**2** MIDWEST STATES  
(Chicago excluded)  
\$52,133,133 or 28.3%

**3** CHICAGO, ILL.  
\$38,299,607 or 20.8%

**4** EASTERN STATES  
\$21,643,579 or 11.8%

**5** WESTERN STATES  
\$19,790,480 or 10.7%

As a share-owner you'll be interested in the map above, noting our sectional distribution of sales. Walgreen Drug Stores—at prime locations throughout the country—serve communities from Maine to California:  
**"Walgreen's—the Nation's Name for Drug Store"**



*“More people trade at Walgreen’s  
than at any other drug stores  
in the world.”*